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A HOSTAGE TRADE POINT OF '85 MEMO, U.S. OFFICIAL SAYS

ASCRIBED TO HEAD OF C.I.A.

Reagan Was Said to Be Ready
 to Explain Arms Sales as
 an Opening to Teheran

By STEPHEN ENGELBERG

Special to The New York Times

WASHINGTON, Dec. 23 — In a memorandum written at the beginning of the United States arms sales to Iran, the Director of Central Intelligence explicitly described the program as a trade of arms for hostages, according to a high ranking Government official who has seen the document.

In addition, the official said, the memo written by William J. Casey said that if the matter became public, President Reagan was prepared to portray the secret operation as a political opening to Teheran.

The document, written about a year ago, acknowledged that the arms sales conflicted with Administration policy on terrorism, but described Mr. Reagan as determined to rescue the American hostages in Lebanon, the official said.

Recipient Unknown

The disclosure seems to contradict President Reagan's assertions in the last two months that he approved the arms sales only as part of a broad diplomatic initiative aimed at making contact with "moderates" in Iran.

It could not be learned to whom the memorandum was addressed.

Senior officials at the White House and Justice Department said they had not seen the memo and one Congressional official who has read many of Mr. Casey's other memos said it was out of character with them. The memo may have been written by Mr. Casey for his internal files and not for distribution.

Question of Relations

Mr. Casey, this official said, argued in other documents distributed elsewhere in the Government that he was in favor of developing better relations with Iran.

Several Congressional sources said the operatives for the initiative, including a retired C.I.A. official, George Cave, have testified that they believed the policy was to trade arms for hostages.

A senior White House official, who said he doubted the existence of the Casey memo, acknowledged, however, that National Security Council staff members wrote memos in the last year that mentioned hostage releases as an objective for the program.

"They talked about the shipment of arms going to Iran and the hopes that X-number of people were going to be released," the official said.

Larry Speakes, the White House spokesman, said the White House had no evidence that such a memo existed.

But a senior White House official who asked not be identified said it was possible the memo might have been among what he said were "hundreds of thousands of documents that pertain to the secret dealings with Iran and the Nicaraguan insurgents." He said Peter J. Wallison, the White House counsel, who has been examining records, has not found any such document.

"There's no doubt those making the policy considered the No. 1 objective an opening to Iran," the official insisted. "It may have been that other people at the working level had other conceptions or other agendas and used the memo route."

The official speculated that the memo could have been written by subordinates of Mr. Casey under his name.

A spokesman for the C.I.A., Kathy Pierson, said she could not comment on the memo or its existence.

The Government official who has seen the document said it analyzed the political problems that would result from public disclosure of the secret arms sales to Iran. The official, paraphrasing the memo, said it described President Reagan as "taking the attitude that we can retroactively explain it as an opening to Iran."

The official said he could not recall the date on the document, but said it was written near the beginning of the Iran shipments, which were formally approved by Mr. Reagan 11 months ago.

The concerns it cites are consistent with those raised by senior Administration officials who opposed the operation in late 1985. These officials believed that while it might have been conceived at first as a diplomatic venture, it had become an exchange of weapons for hostages.

Robert C. McFarlane, Mr. Reagan's national security adviser until Dec. 4, 1985, has contended that the Administration began its first contacts with Iran in 1985 as a means of pursuing better relations with that country. At a meeting on Dec. 6, 1985, however, Mr. McFarlane and other advisers agreed that the shipments by Israel approved

by the United States as a means of showing "good faith" to the Iranians, had degenerated into an arms trade.

Mr. McFarlane went to London two days later to tell the Israeli and Iranian middlemen they no longer had American approval for selling arms to Iran.

In late December, Amiram Nir, an Israeli official, came to Washington and passed on assurances from the Iranian middleman that the hostages would be freed with one more shipment. Additionally, he said that the Israeli middlemen previously involved in the deal had been removed and that logistical problems with the operation had been resolved.

On Jan. 7, 1986, senior Reagan Administration officials once again discussed the issue, and after this meeting President Reagan changed his mind and ordered direct United States shipments to Iran. Secretary of State George P. Shultz and Secretary of Defense Caspar W. Weinberger opposed the idea, both because it violated Government policy against negotiating with terrorists and because it was essentially a trade of arms for hostages.

On Jan. 17, 1986, Mr. Reagan signed an intelligence order authorizing the shipments as part of a diplomatic opening to Iran, an aim that at least some senior officials say they continued to pursue throughout the year.

But others involved in the policy have told Congress that the program's main goal became freedom for the hostages.

The Casey memo has not been provided to Congressional intelligence committees, staff members said.

The portrayal of the Iran program as an opening to Iran has been at the center of the White House effort to control the political damage stemming from the Iran affair.

According to a Senate source, for example, the White House sent Senator Paul Laxalt, Republican of Nevada, to encourage the Senate Intelligence Committee to issue a report on the Iran operation that would, in part, praise President Reagan for pursuing better ties with Iran.

But several members of that panel resisted the overture.

The committee's vice chairman, Patrick J. Leahy, a Democrat, issued a statement last week at the close of three weeks of hearings in which he said: "I, for example, am convinced that the heart of Iran initiative, whatever this or that official may have thought about geopolitical imperatives, was American arms for American hostages."

The final six words were underlined in the statement released by Senator Leahy's office.